

BUDGET 2014 CONSULTATIONS

WHAT WE HEARD

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A NOTE FROM MINISTER HORNER

Budget 2013 set a new direction for the way we plan our finances. Our budget now consists of three plans – an operational plan, a savings plan and a capital plan. Operational budgets must be balanced, limits have been set on borrowing for infrastructure under the capital plan, and the Alberta government committed to saving our non-renewable resource revenue in good and challenging times. We are living within our means and building Alberta in ways that make financial sense. We are changing the way government does business and giving Albertans a clear picture of how we are building Alberta for today and tomorrow.

Consulting with Albertans is an important part of the government's budgeting process. Last year, Albertans told us clearly savings were important. This year, through an online survey and public open houses, we asked Albertans how our savings should be used, and explored more options to finance public infrastructure.

Meeting directly with Albertans is an invaluable opportunity and I greatly appreciate everyone who took the time to attend an open house. I also want to thank everyone who made the effort to fill out a survey. I am sharing your thoughts with my colleagues and all your comments will help guide government as we develop Budget 2014.

Investing in families and communities, as well as living within our means, are key pieces of our Building Alberta Plan. We already have more than four million people living in this province. As we continue to plan for a future 20, 30 or even 50 years from now, we will continue to consult with Albertans and look for more opportunities to build the kind of Alberta our future generations will be proud of.

[original signed]

Doug Horner
Present of Treasury Board and Minister of Finance

BACKGROUND AND PURPOSE

In the fall of 2013, the Government of Alberta (GoA) conducted an online survey and public open houses to ask Albertans about their views on the province's upcoming budget, savings and fiscal priorities.

Online survey

The public was invited to voice their opinions through an online survey that was made available on alberta.ca from October 1 to October 31, 2013. A Budget 101 web page (accessible through budget.alberta.ca) was also created to explain how the Alberta budget works.

A total of 2,173 surveys were collected. The quantitative results are presented in figure format. Respondents' comments from open-ended questions were consolidated and a qualitative analysis was performed to identify key themes. High level summaries of the main themes that emerged are provided for each question, along with direct quotes from survey respondents.

Participation in the surveys was voluntary. As respondents were not selected randomly, the resulting 'self-selected' respondent populations can be considered representative of 'interested Albertans' but may not be representative of the entire Alberta population. Please note that summaries of open-ended questions represent a general indication of the impressions and preferences of survey respondents, and should not be taken as representative of survey respondents who did not comment.

Public open houses

The open houses were held in communities throughout Alberta between October 9 and October 18, 2013. The public open houses were led by Minister Doug Horner and conducted over a two- to three-hour time period. In all, 292 citizens participated in the discussions.

Participants were provided a handout with a series of questions regarding spending, savings and infrastructure priorities in order to guide the discussions. With the help of a facilitator, participants discussed topics specifically grouped according to the Alberta budget's three plans:

- Operational Plan — programs and services for Albertans
- Capital Plan — public infrastructure: building and rebuilding projects
- Savings Plan — when and how we save, and what we spend it on

Where open house attendance numbers allowed, the discussion was conducted with all participants collectively. In open houses with larger attendance numbers, participants engaged in table discussions and reported back to the larger group throughout the session.

An on-site recorder documented the discussions at each open house. Public feedback from the open houses was aggregated and reviewed, and this report contains a high level summary of the key themes. Direct quotes from open house participants are also included in this report.

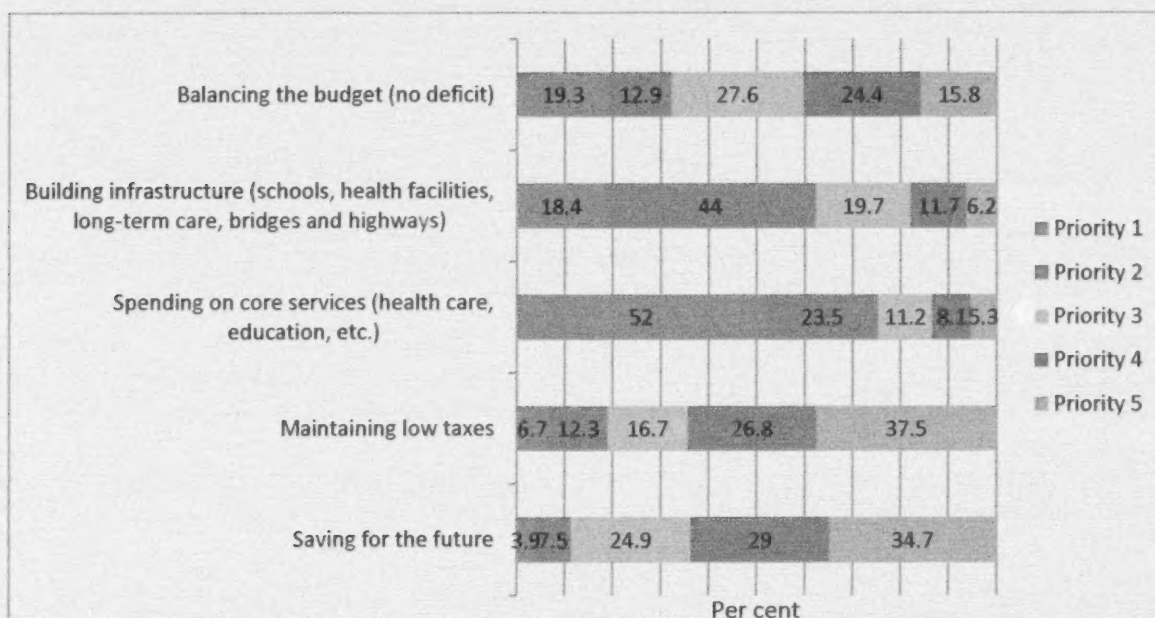
Online survey summary results

Please note that percentages may not add up to 100% due to rounding and/or unanswered questions.

A. Operational Plan – Which service best meets your needs?

1. Rank the following in order of priority (1 being the greatest priority to 5 being the least).

The graph below shows relative rankings of all priorities in percentages. Fifty-two per cent ranked spending on core services as their first priority, and 44 per cent of respondents indicated building infrastructure as their second priority. Maintaining low taxes and saving for the future were ranked as least important.

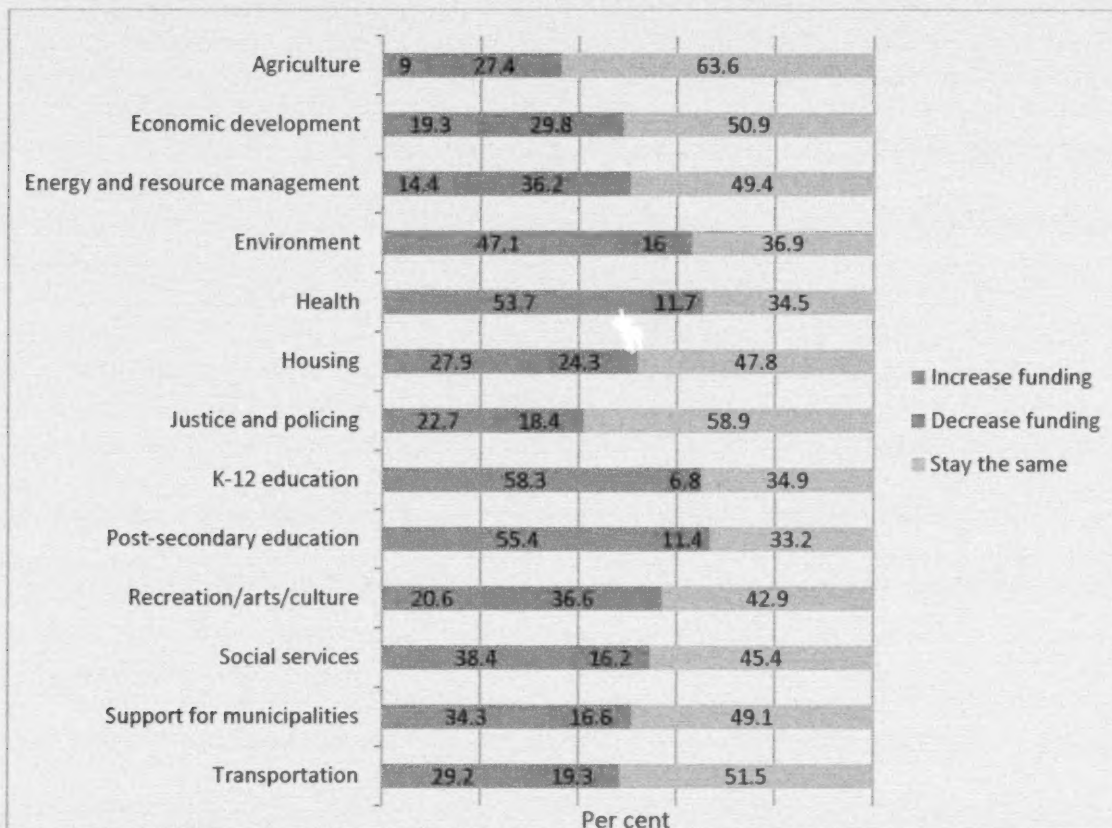


Survey participants also had a number of more specific suggestions, which included a number of key themes:

- Increasing support for specific core services – specifically those for seniors, post-secondary education and the vulnerable
- Review of revenue sources (energy royalties, progressive personal tax rate, corporate taxes, sales tax, etc.)
- Funding for flood mitigation
- Increasing support for infrastructure maintenance and municipal infrastructure
- Support for environmental conservation

2. Are there any areas you would like to see funding for programs or services increased, decreased, or stay the same?

K-12 education received support for increased funding from 58.3 per cent of respondents, followed by post-secondary education, which received 55.4 per cent support. Health also received 53.7 per cent support for increased funding, while environment received 47.1 per cent support. In contrast, the remaining programs and services received stronger support for maintaining the current level of funding versus increasing or decreasing the funding.



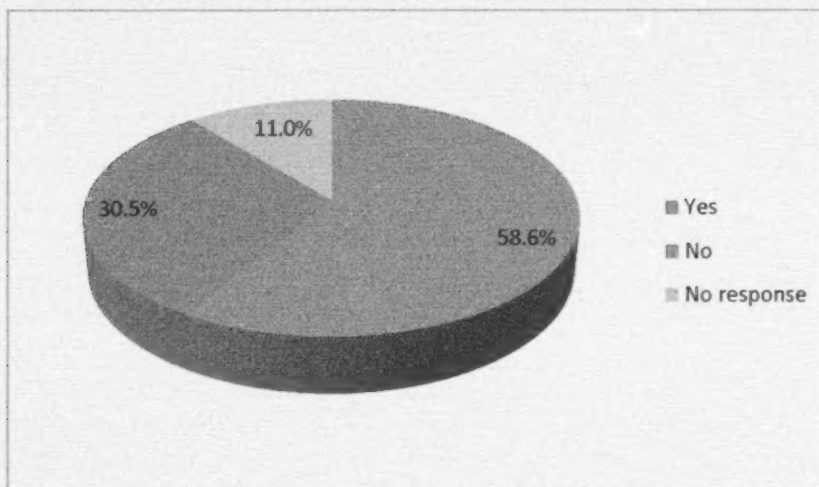
In the "other category" there were again a wide range of opinions and suggestions. Key themes that emerged from these comments included:

- Supports for Aboriginal peoples and communities
- Concerns about government executive and MLA compensation
- Support for vulnerable Albertans
- Pensions

B. Capital Plan – How should we fund and prioritize building and rebuilding projects?

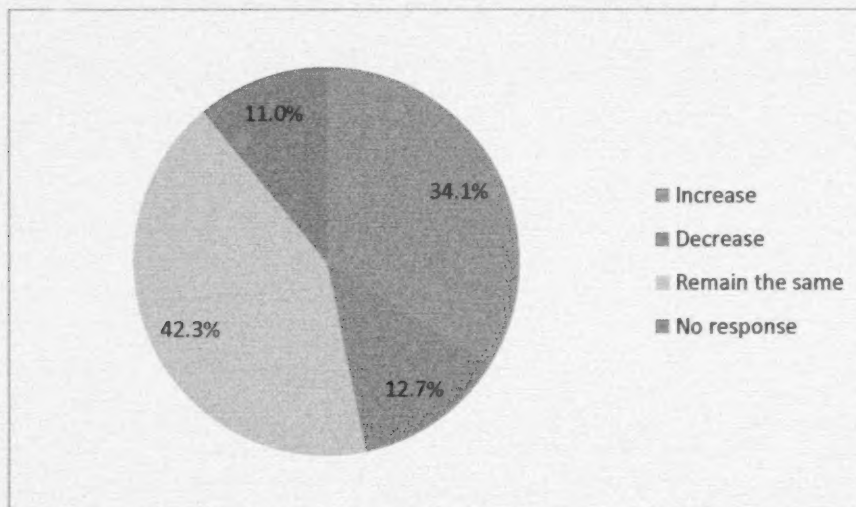
3. Do you support continued use of alternative financing to fund the Capital Plan (infrastructure)?

At 58.6 per cent, a majority of respondents supported the use of alternative financing.



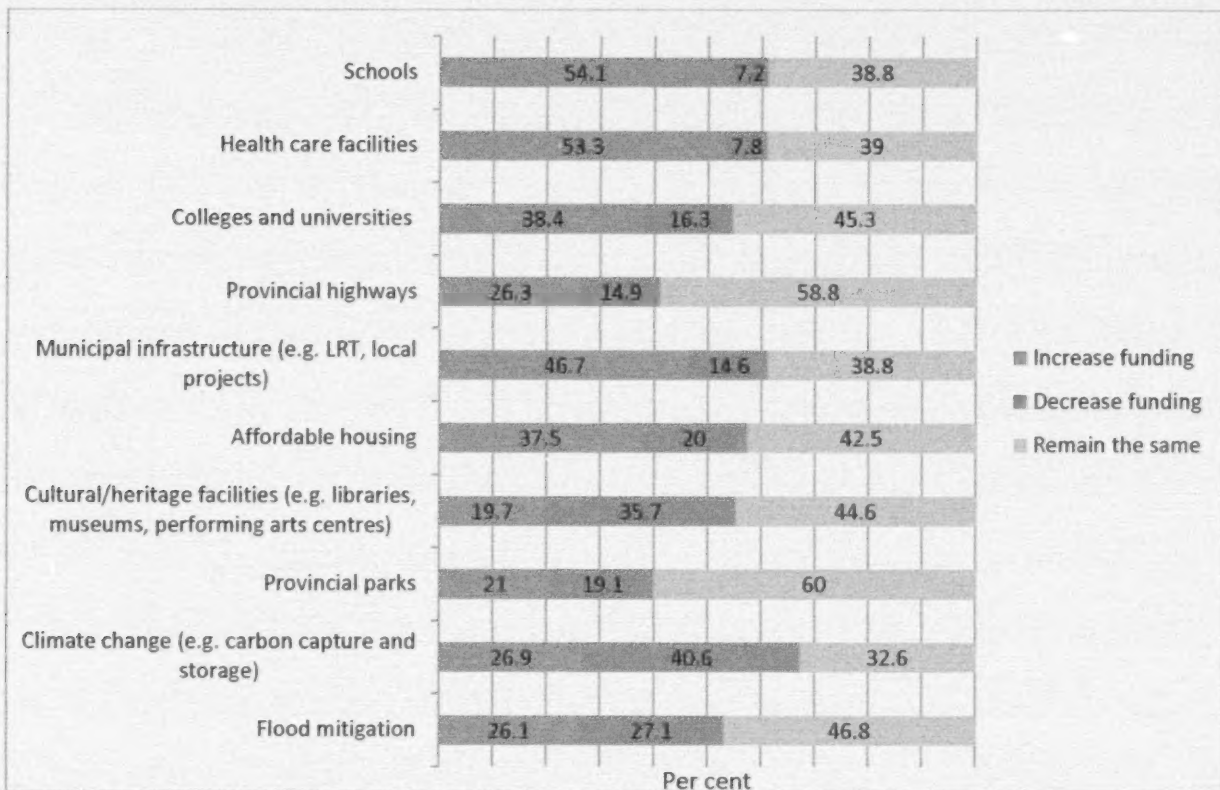
4. Would you like to see infrastructure investment (currently \$15 billion over three years) increase, decrease or remain the same?

At 42.3 per cent, a majority of respondents want to see infrastructure investment remain the same.



5. Are there any areas you would like to see funding for infrastructure projects increased, decreased or remain the same?

Schools (54.1 per cent), health care facilities (53.3 per cent), and municipal infrastructure (46.7 per cent) received the most support for an increase in infrastructure funding. All other kinds of projects received majority support for maintaining funding levels, with the exception of climate change, which received 40.6 per cent support for a decrease in funding.



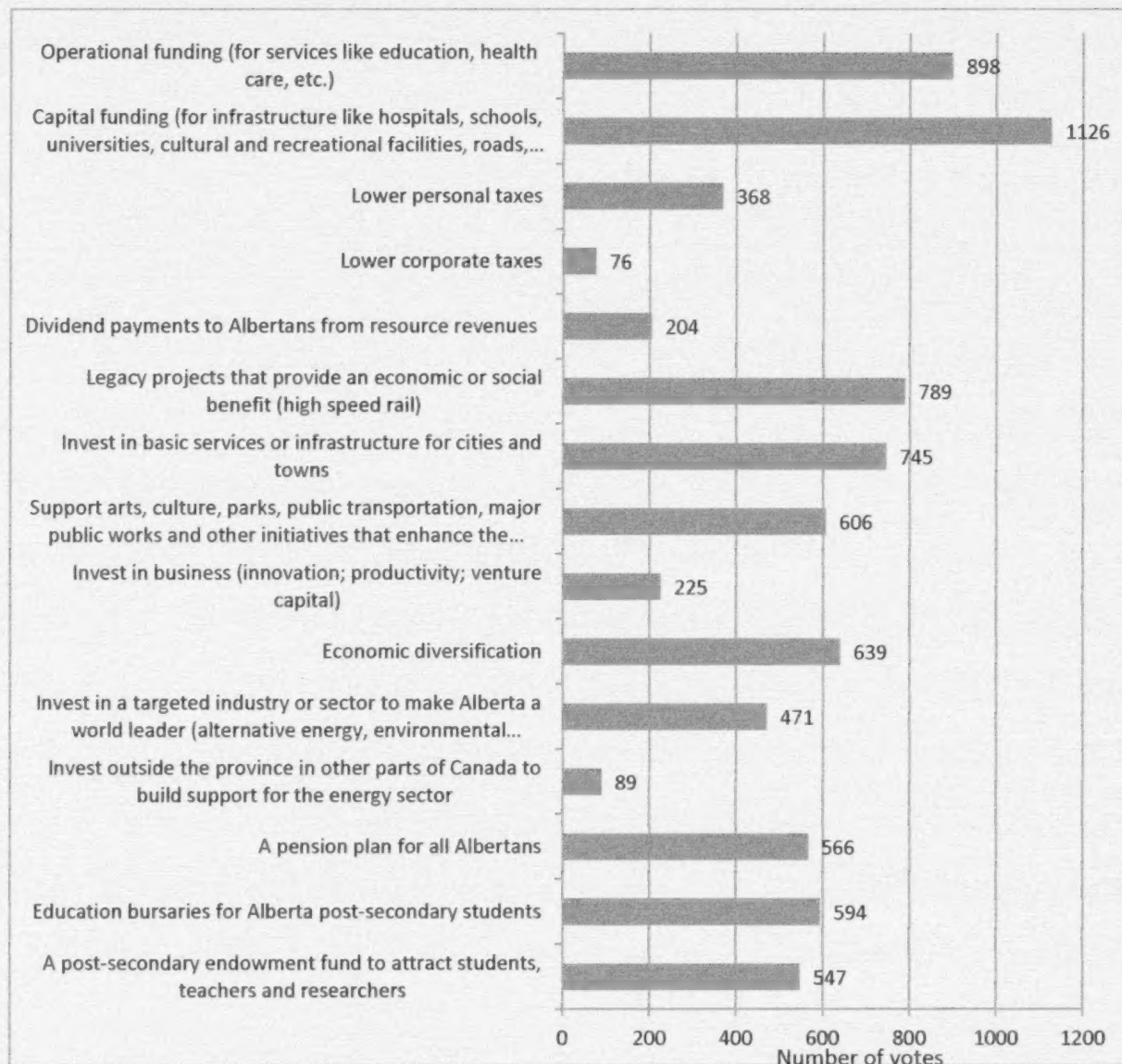
Additional suggestions from survey respondents included:

- Water and wastewater infrastructure
- Numerous comments against carbon capture and storage, but support for other climate change and alternative energy projects
- Sport and recreation facilities
- Maintaining and updating current infrastructure
- Concerns about P3s, specifically about costs and transparency
- Support for multi-use buildings
- Concerns about limited amount of available space in court facilities
- Communications technology in rural areas (Internet, cellular networks, etc.)

C. Savings Plan – How should we use funds in the future?

6. Government has a savings plan for the future. What should the purpose be for the future use of the savings? Select all that apply.

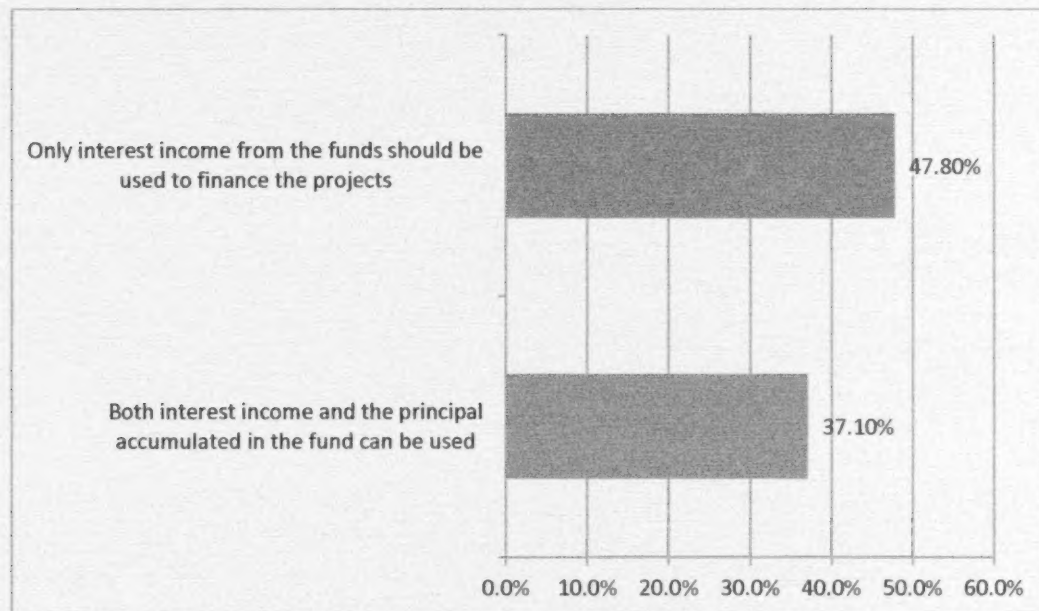
This chart indicates the number of times survey respondents chose that option. Respondents could choose as many of the options as they wished. Capital funding received the most votes at 1,126, followed by operational funding at 898 votes.



A number of survey respondents had additional suggestions, which included:

- Environmental protection, climate change and investments into alternative energy
- Reinvestment for continued growth of savings
- Disaster relief and mitigation
- Supports for vulnerable Albertans
- Education and trades training

7. In order to direct savings toward the purpose(s) identified above, do you believe in the future:



This chart shows that 47.8 per cent of survey respondents support using only interest income, while 37.1 per cent supported using both interest income and principal.

8. Additional comments

Survey participants had a wide range of comments, many of which fell among some key themes.

1. Revenue – a large majority were concerned about a reliance on non-renewable resource revenues, interest in a progressive personal tax rate and a sales tax, increases to corporate taxes, changes to royalty rates, and reinstating health care premiums.

2. Saving versus spending – a number of comments said that if savings were spent then limits should be set regarding the spending of any principal and the situations in which it could be used (emergencies). There were also a number of concerns about debt and the deficit.
3. Education – many comments expressed concerns about funding for post-secondary and K-12 education, and also supported funding for research.
4. Infrastructure – a number of respondents expressed concerns about the P3 process – costs and transparency – as well as made a point of saying there was no point in building new hospitals and schools without trained staff to run them.
5. Pensions – some comments protested against changes to public service pension plans.
6. Comparisons to Norway – a number of survey respondents compared Alberta with Norway.
7. Long-term planning – many respondents encouraged long-term planning, whether it was for living with future technology, infrastructure, education, or dealing with savings and revenue.

Open house summary results

Text appearing within quotation marks are direct quotes from open house attendees.

Discussions at the open houses also covered the three budget areas of the operational plan, the capital plan and the savings plan, but in many cases the conversations blended together and did not fall under specific plans. However, many key themes did emerge.

A large majority of open house attendees named building and maintaining infrastructure as their most important budgeting priority. This was followed by strong support for balancing the budget, funding for core services, and funding for municipalities.

"A balanced budget over the long term is critical."

"There should be some core funding that doesn't get cut."

Some of the open houses specifically pointed out the funding of maintenance and operations for facilities as concern, stating that it was pointless to build new facilities without considering the future financial consequences of running the facility and upkeep.

"We agreed infrastructure was #1, although we added building and maintaining. It's not just building."

"A good definition of infrastructure is the capacity to deliver services over the long run."

Some participants rated saving for the future as one of their lowest priorities, citing the need to fund operational priorities instead. Maintaining low taxes received equal support for being a lowest priority and being a high priority.

Some of the open houses strongly supported more efficiency, controlled expenses and the reduction of waste, especially when it came to health care and government in general.

"How do we make better use of money and better care for people?"

There was also a lot of discussion around the need for government to plan for the long term in ways that benefit Albertans economically and socially. A few people mentioned that spending on social areas and health prevention can reduce future costs.

"If we're going to be leaders, we have to have educated people to move us forward."

"Look at diversification, efficiencies and capitalizing on our population."

"If we look at spending on things that will reduce costs in the long run, like poverty reduction, it's a big chunk to start but there's a long-term benefit."

Another popular topic was the need for greater cooperation and collaboration between levels of government and various agencies (profit and non-profit). Many people indicated there should be

more consideration for multi-use facilities, as well as flexibility for changing the purpose of facilities as populations change. For instance, an unused school could become a seniors facility.

In some open houses, concerns were expressed about equality of funding and infrastructure for rural versus urban communities and for those communities where high growth is an issue.

"Is there another way to measure the [needs of communities in rural Alberta] other than population?"

To a lesser extent, there was mention of the need for increased funding for seniors, affordable housing, libraries, trades training, post-secondary education and K-12 education. Agriculture funding was also discussed, with mixed results. One group thought there was too much money spent on agriculture, while another group talked about the need for government-funded agriculture research.

"Affordable housing is big for us. Those workers need somewhere to live."

"If we don't invest in our children, nothing else is worthwhile."

"We want Albertans to have these jobs... we need to educate them so they can stay and work here."

"For post-secondary, stable funding is a priority."

There was also some opposition to spending infrastructure funding on carbon capture and storage, with people saying that while climate change was an important issue they had doubts about claims regarding carbon capture and storage.

"We don't need more spending on climate change... we need to think differently about it."

Taxes were also discussed at a few of the open houses, with some saying overall taxation is too low, while others supported low taxes to encourage attraction and retention to the province. A few people said royalty rates should be changed.

"Maintaining low taxes is a huge draw for our province."

"Health care and education are essential services. I would be willing to pay more taxes to maintain these if the money is being spent fairly and efficiently."

A large majority of attendees voiced support for alternative financing for public infrastructure. However, there were mixed reactions when the discussions turned to P3s. Many had reservations about P3s, indicating that there needed to be clear rules and boundaries set, transparent communications about the P3 process and plans, and ownership of infrastructure. There were a number of concerns that companies were more concerned about profit than quality. Some participants indicated that P3s should not be used for essential services like water and schools, while others recommended P3s be used for arts and cultural facilities.

"P3s are generally good but should be considered on a case-by-case basis."

"The key word is investment, not spending; [infrastructure is] an investment in our future. Be responsible. Have a cap on it."

"[P3s] lack comprehensive and holistic assessment and outsource responsibility to entities that can and do 'walk away' from that responsibility due to business failure, opaque business practices or a lack of robust public oversight."

A majority of open house participants favoured an increase in infrastructure spending, specifically mentioning roads, education, health facilities, affordable housing, and water and wastewater facilities as priorities. There was also a handful of suggestions for an increase in infrastructure for justice and policing, as well as for heritage, arts and cultural facilities and for provincial parks.

"Without infrastructure in place 30 years from now, what good is money in the bank? We want smart spending."

"Parks... are the backbone to economic activity in this area."

Other topics that were touched on included support for borrowing for capital with set limits, interest in toll roads, and a need for flexibility in budgeting so when a community's needs change the infrastructure plans could also change.

"Whatever we do we need to do it smartly. Use your data. Make sure it's sustainable now and in the future."

"Save for wants, borrow for needs."

"The pay-as-you-go system does not work; if I had to put all the money aside before I could buy a home, I wouldn't have one."

"Borrow, but be wise with your borrowing."

In regards to savings, opinions were mixed when it came to using the interest versus using interest and the principal. Some attendees supported only using the interest, while others were willing to consider using a portion of the principal under certain set conditions like emergency situations. Both sides agreed that spending any savings should have caps and clear rules. Many people favoured using savings for economic diversification and long-term investments to benefit the future.

"A diverse, vibrant economy is what fuels the Alberta Advantage."

"Get additional revenue by doing additional economic diversification development to address the revenue stream."

There was some support for using savings for infrastructure projects and education, but otherwise there was no clear forerunner for where savings should be spent. Other suggestions included funding for:

- arts and culture (to improve quality of life),
- the environment,
- research and technology,

- social services and support for the vulnerable,
- disasters,
- municipalities, and
- legacy projects such as high speed rail.

"Use the savings we have now to reduce future spending through increasing funding for innovation and post-secondary. There are new and better ways to do the things we are already doing."

"Saving is fiscally prudent but if you need issues to be addressed right now, you go into your savings."

"Spend a little bit of money. If you're borrowing at three per cent and saving at eight per cent, we understand that. Why save it if you can't spend it?"

"Our savings should never be completely depleted."

"Not spending now has implications for the future."

There was interest from some groups in regards to a pension plan for all Albertans, but general consensus was that more information was needed in order to properly consider this and that contributions to a plan of this sort would need to be mandatory, similar to the federal pension plan.

Some groups made a point of specifically saying no to the idea of dividend cheques, while a minority said savings should not be touched. A minority also said savings should not be used to maintain low taxes.

Another point brought up in a few open houses was regarding technology. Participants said technology was important for economic diversity, and also mentioned the need for improved access to high-speed Internet and cell reception.

"Spend on things that build change into the future of the province, like high capital infrastructure, economic diversification... to build revenue for when we don't have resources."

"The impact of technology needs to be considered in health and education. It may reduce our requirement for some infrastructure."

Overall, open house participants favoured infrastructure and long-term planning for many generations into the future in order to have the type of province we wish to leave behind for others.

"We are resource rich. Let's transform that into a wealth of services and savings that are an investment 20, 50 and 100 years into the future."

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